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Message Text

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ACTION EB-07

INFO OCT-01 AF-08 EUR-12 ISO-00 XMB-04 PA-02 PRS-01 AID-05

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 USIA-15 OPIC-06

SP-02 CIEP-02 OMB-01 /074 W
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FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4276
TREASURY DEPT WASHDC
INFO AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY KINSHASA

UNCLAS LONDON 12194

DEPARTMENT PASS EXIMBANK
DEPARTMENT FOR ROBERT RYAN, EB
TREASURY FOR STEVE CANNER

E.O. 11652: N/A
TAGS: EFIN, UK, CG
SUBJECT: BANKS PRESS ZAIRE TO DISCUSS DEBT DEFAULT

1. THE FOLLOWING IS TEXT OF ARTICLE WHICH APPEARED IN LONDON TIMES, THURSDAY, AUGUST 5.

"TEN INTERNATIONAL BANKS YESTERDAY DISPATCHED AN UNPRECEDENTED TELEX TO ZAIRE'S CENTRAL BANK AND FINANCE MINISTER, URGING THEM TO SEND REPRESENTATIVES TO LONDON IN TWO WEEKS' TIME TO DISCUSS A RESTRUCTURING OF THE COUNTRY'S DEFAULTED DEBT.

"THE TELEX REPRESENTS AN INITIATIVE BY THE BANKS TO BREAK A COMPLETE DEADLOCK WITH THE ZAIRE AUTHORITIES. EARLIER ATTEMPTS BY INDIVIDUAL BANKS TO TALK TO THE GOVERNMENT ABOUT A SOLUTION TO ITS DEBT PROBLEMS HAVE PRODUCED NO RESPONSE WHATEVER. AFTER EXTENSIVE MEETINGS. THE BANKS HAVE THEREFORE DECIDED TO PRESENT ZAIRE WITH A

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COMMON FRONT.

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"THE 10 BANKS WHICH SIGNED THE TELEX ARE AGENT BANKS TO A SERIES OF LOANS SYNDICATED IN THE INTERNATIONAL MONEY MARKETS. BANKS ARE BELIEVED TO HAVE ADVANCED ABOUT $750M TO ZAIRE--ROUGHLY HALF ITS FOREIGN DEBT--BUT FEW HAVE RECEIVED ANY INTEREST OR PRINICPAL REPAYMENTS DURING THE PAST 18 MONTHS.

"IN THE ABSENCE OF ANY COMMUNICATION FROM THE ZAIRE GOVERNMENT, BANKERS ARE NOT CLEAR WHETHER IT IS DELIBERATELY REFUSING TO DISCUSS ITS DEBTS OR WHETHER ITS INACTION IS A RESULT OF COMPLETE ADMINISTRATIVE CONFUSION. IT IS WIDELY FELT THAT THE GOVERNMENT MAY NOT BE FULLY AWARE OF THE TRUE EXTENT OF ITS FOREIGN DEBT.

"THE BANKS, WHO NUMBER WELL OVER 40, HAVE FINALLY BEEN PUSHED INTO ACTION BY THE AGREEMENT REACHED IN JUNE BETWEEN ZAIRE AND ITS MAJOR GOVERNMENT CREDITORS TO RESCHEDULE OVER 10 YEARS PAYMENT OF DEBTS FALLING DUE LAST YEAR AND THIS YEAR.

"IT IS RECOGNIZED SOME SIMILAR RESTRUCTURING OF BANK DEBT MIGHT HAVE TO TAKE PLACE, POSSIBLY INVOLVING THE ROLLING-UP OF ALL INTEREST INTO A NEW PRINCIPAL AMOUNT. THE MOST IMMEDIATE NEED, HOWEVER, IS TO OPEN A CHANNEL OF COMMUNICATION.

"ZAIRE'S BANK CREDITORS ARE ALREADY LOCKED IN BITTER DEBATE WITH THE EXPORT-IMPORT BANK, AMERICA'S EXPORT CREDIT CONCERN, OVER THE TERMS OF A LOAN IT IS PRESENTLY PLANNING TO MAKE TO ZAIRE TO HELP FINANCE THE MASSIVE INGA-SHABA DAM PROJECT.

"THE BANKS HAVE PROTESTED ABOUT THE EXIMBANK DEAL ON THE GROUND THAT IT IS DEMANDING SECURITY WHICH WOULD EFFECTIVELY GIVE IT A FIRST CLAIM ON ZAIRE'S FOREIGN EXCHANGE RESOURCES, THUS DIMINISHING THE BANKS' OWN CHANCES OF GETTING THEIR LOANS REPAID ON TIME." ARMSTRONG

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